

SEC Number 39121
File Number

PHILWEB CORPORATION

(Company's Full Name)

**The Penthouse, Alphaland Southgate Tower
2258 Chino Roces Avenue cor. EDSA, Makati City**

(Company's Address)

236-5577

(Telephone Number)

December 31

(Fiscal Year Ending)
(month & day)

**Quarterly Report Pursuant to Section 17
of the Securities Regulation Code and SRC Rule 17
(2) (b) Thereunder**

Form Type

Amendment Designation (if applicable)

March 31, 2018

Period Ended Date

N/A

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2018
2. Commission identification number 39121
3. BIR Tax Identification No 000-141-527-000
4. Exact name of issuer as specified in its charter PhilWeb Corporation
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office The Penthouse, Alphaland Southgate Tower, 2258 Chino
Roces Avenue corner EDSA, Makati City
Postal Code 1232
8. Issuer's telephone number, including area code (632)236-5577
9. Former name, former address and former fiscal year, if changed since last report NA

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding (net of treasury shares of 81,380,938)
Common P1 par value	1,435,626,680*

11. Are any or all of the securities listed on a Stock Exchange?

Yes No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange / Common Stock

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes No

Part I - Financial Information

Item 1. Financial Statements See attached

The interim financial statements have been prepared in accordance with Philippine Financial Reporting Standard.

The same accounting policies and methods of computation are followed in the interim and annual financial statements.

There are no seasonal aspects that have an effect on the Company's results of operations.

There are no unusual items affecting Assets, Liabilities, Equity, Net income, or Cash Flows.

There are no changes in estimates of amounts reported in the prior financial periods.

There is no disclosure on segment information in the Company's annual financial statements.

There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements.

There are no major changes in the Company, including business combination, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations, other than the following:

1. On July 10, 2012, ePLDT Inc. and the Company signed the Share Purchase Agreement covering 397,892,307 shares or 26.28% of the total outstanding capital of the Company. The sale of shares priced at P10.70 will be executed in four tranches to be completed by the end of 2013. Acquisition of shares in the first tranche was consummated on July 13, 2012.

On October 19, 2012, PhilWeb Casino Corporation (PCC) a wholly owned subsidiary, on behalf of the Company, accelerated the acquisition of the second tranche of shares from ePLDT which also comprise of 93,457,944 shares of the Company at the same price of Php10.70 per share.

On October 22, 2012, the Company and PCC entered into a Placement Agreement with UBS AG and Religare Capital Markets (Hong Kong) Limited acting as placement agents for the sale of 137.5 million shares of the Company to qualified buyers at a price of P15.00 per share or a total aggregate price of P2,062.5 million.

On June 13, 2013, PCC and ePLDT transacted the third tranche of Philweb shares totaling 93,457,944 shares. The total price paid for third tranche is P1,015 million or P10.86 per share.

On December 13, 2013, PCC and ePLDT transacted the fourth and last tranche of Philweb shares totaling 117,518,475 shares. The total price paid for last tranche is P1,297 million or P11.04 per share.

2. The Company's Intellectual Property License and Management Agreement (IPLMA) with PAGCOR will expire on July 11, 2016. On July 8, 2016 PAGCOR extended the contract from July 11, 2016 until August 10, 2016.
3. The IPLMA expired on August 11, 2016. On December 22, 2016, the Company was notified by PAGCOR that it has to go thru the procurement process. The Company will

apply to PAGCOR once the terms of reference (TOR) is published. While waiting for the TOR, the Company continues to grow its BigGame Inc. (BGI) operation.

4. On March 8, 2017, the Company's Board of Directors approved the plan, thru its subsidiary BGI, to acquire 15 PAGCOR Gaming Stations from existing independent operators using a total of up to 7,500,000 Company shares it is currently holding in treasury as payment. As of the preparation of this report, the Company acquired 13 gaming sites. Currently, the Company thru its subsidiaries is operating 25 e-Games sites and two e-Bingo sites.
5. On August 18, 2017, the Company received a Provisional Certificate of Accreditation from the PAGCOR to be an accredited Electronic Gaming System (EGS) Service Provider. As an Accredited EGS Service Provider, the Company can offer its software and other services to the operators of PAGCOR-licensed gaming sites for electronic games. PAGCOR will conduct an inspection and testing of PhilWeb's servers and gaming facilities as required under the accreditation rules.

The testing and inspection was completed and on September 25, 2017 the Company received a letter from PAGCOR indicating that the Company passed the inspection and testing as required.

6. On October 30, 2017, the Company received a Certificate of Accreditation from PAGCOR. In compliance with the accreditation rules, the Company submitted the P25 million letter of credit as performance bond on November 2, 2017.
7. On December 1, 2017, the first 16 electronic gaming locations were allowed to operate under PhilWeb's Electronic Gaming System platform.
8. On February 20, 2018, PAGCOR allowed the Company to offer its services to an additional 21 electronic gaming location.
9. On March 7, 2018, PAGCOR issued a memorandum accepting and processing applications of new and existing operators to resume the use of the Company's electronic gaming system, thereby allowing the Company to fully resume its operations.

There are no contingent liabilities or contingent assets since the last annual balance sheet date.

There are no material contingencies and any other events or transactions not mentioned that are material to an understanding of the current interim period.

Earnings Per Share

Earnings per share is determined by dividing net income for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed as aforementioned and assuming further that all outstanding options are exercised at the beginning of the period.

The weighted average number of common shares used in determining basic and diluted earnings per share is shown below:

	Basic*	Diluted*
March 31, 2018	1,175,891,107	1,177,109,962
March 31, 2017	1,162,348,351	1,164,518,771

* Net of treasury shares directly held by PhilWeb, PCC and PCIL. PCC and PCIL are wholly-owned subsidiaries.

Financial Instruments: Recognition and Measurements and Disclosure: (PAS 39 and PFRS 7)

Non-derivative Financial Instruments

Non-derivative Financial instruments comprise of cash and cash equivalents, receivables, due to/from related parties and accounts payable and accrued expenses.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled.

Financial assets are classified as either financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, or available-for-sale (AFS) financial assets, as appropriate. When financial assets are initially recognized, they are measured at fair value. In the case of investments not at FVPL, fair value at initial recognition includes directly attributable transaction costs. The Company determines the classification of its financial assets and financial liabilities upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date. The Company has no HTM investment, AFS financial asset and financial assets and liabilities at FVPL as of March 31, 2018.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents

Cash includes cash on hand and in banks and is stated at its face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payment dates that are not quoted in an active market. These are recognized initially at fair value and subsequently measured at amortized cost using effective interest method, less allowance for impairment loss. An allowance for impairment loss of receivables is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

Other financial liabilities

This category pertains to financial liabilities that are not designated as at FVPL at the inception of the liability. This includes liabilities arising from operations or borrowings.

There are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses*
- Amendment to PFRS 12, *Disclosures of Interests in Other Entities - Clarification of the Scope of the Standard*

To be Adopted on January 1, 2018

- *PFRS 9 Financial Instruments (2014). PFRS 9 (2014) replaces PAS 39 Financial Instruments: Recognition and Measurement*

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Group is assessing the potential impact on its interim consolidated financial statements resulting from the application of PFRS 9.

Item 2. Management's Discussion and Analysis of Key Financial Condition and Results of Operations

The Company became an Internet Services company in January 18, 2000 upon the stockholders' approval of a restructuring plan which involved changes in the Company's name, primary purpose, increase in capital stock, declassification of shares, increase in the number of directors, and adoption of new by-laws, among other matters. At the same meeting, the stockholders likewise authorized the Board of Directors to sell all or substantially all of the assets of the Company, and approved the sale of the mining properties and tangible mining assets.

On January 18, 2000, the Company entered into a Deed of Assignment with All-Acacia Resources, Inc. whereby the Company transferred all its rights over its mining claims located in the Provinces of Samar and Surigao and all of its mining assets, both tangible and intangible, used in the Company's mining operations. In consideration therefore, All-Acacia agreed to assume all liabilities and obligations of the Company, including those relating to the assignment of advances from stockholders and/or deposits on subscriptions in excess of ₱18 million which had been agreed to be converted to equity of the Company, and arrange for the resignation, retirement or termination of all the Company's personnel relating to the mining business and pay their corresponding separation or retirement pay, as well as hold the Company free and harmless from any expense, liability or obligation arising from the operation of the Company as of the date of the Agreement.

The change in the Company's corporate name to "PhilWeb.Com, Inc.", its primary purpose from a mining and oil exploration company to that of an Internet Service company, increase in the number of directors to 15, and adoption of new By-laws became effective upon the approval by the SEC on February 8, 2000. The SEC subsequently approved the increase in the Company's authorized capital stock to P2.6 Billion and the declassification of its common shares to one class on March 6, 2000.

At the annual stockholders' meeting on May 31, 2002, the stockholders approved the change in corporate name from "PhilWeb.Com, Inc." to "PhilWeb Corporation". The stockholders also approved the inclusion of the gaming business as an additional secondary purpose of the Company. The SEC approved these changes on November 5, 2002.

On November 28, 2002, the Company signed a Memorandum of Agreement with Philippine Amusement and Gaming Corporation (PAGCOR) for the Company to provide PAGCOR with technical consultancy and marketing services related to Internet Sports Betting. PAGCOR has launched its Internet Sports Betting website called BasketballJackpot.Net, with the objective of getting a slice of the US\$10 billion worldwide Sports Betting market. In April 2004, the Company launched its internet casino business.

At the annual stockholders' meeting on May 29, 2003, the stockholders approved the change in the primary purpose of the Company to develop, design, build, install, own, possess, use, operate, manage, market and maintain gaming systems, applications, programs, and operating platforms and facilities of every description, including but not limited to integrated and on-line computer systems, terminals, software, servers and routers together with interconnecting and interlinking telecommunications systems for voice data and multimedia transmission and interexchange for the transport, storage and processing of messages and data; to do any and all acts, activities and undertakings in relation to, arising out of and incidental to the development, design, building, installment, ownership, possession, usage, operation, management, marketing and maintenance of such gaming systems, applications, programs, and operating platforms and facilities, including but not limited to the sale and the leasing of such gaming systems, applications, programs, and operating platforms and facilities, and the supply and provision of management, operation, technical and marketing expertise and other advisory and consultation services in relation thereto, including but not limited to services to Philippine Amusement and Gaming Corporation (PAGCOR) and, as permitted by law, other gaming operators.

On June 1, 2006, the Parent Company entered into an Intellectual Property License and Management Agreement for Internet Casinos with PAGCOR, wherein the Parent Company has agreed to license to PAGCOR the former's intellectual property rights to the software system and to provide the collateral hardware and other requirements necessary for the operations of PAGCOR's Internet casino game offering. This supersedes the Memorandum of Agreement dated November 28, 2002, Supplemental Agreement No. 1 dated March 18, 2003 and a Supplemental Agreement No. 2 dated June 30, 2003.

On December 17, 2010, Parent Company entered into an Omnibus Amended Intellectual Property License and Management Agreement (IPLMA) for PAGCOR E-Games with PAGCOR wherein the Parent Company grants an exclusive intellectual property license to PAGCOR for the use of its proprietary software system and collateral hardware necessary for PAGCOR to operate the Internet Casino or PAGCOR e-Games. This supersedes the June 1, 2006 IPLMA. The IPLMA will expire on July 11, 2016.

On July 8, 2016, PAGCOR extended the IPLMA from July 11, 2016 until August 10, 2016.

IPLMA contract expired on August 11, 2016 and has not been renewed.

On August 18, 2017, the Company received a Provisional Accreditation from PAGCOR as an EGS Service Provider of PAGCOR-licensed Gaming Sites for Electronic Games. PAGCOR conducted an inspection and testing of company's servers and gaming facilities as required under the accreditation rules. On September 25, 2017, the Company received a letter from PAGCOR indicating the company's compliance in the inspection and testing requirements mentioned in the Provisional Accreditation. On October 30, 2017, the Company received a Certificate of Accreditation from the PAGCOR as an EGS Service Provider of PAGCOR-licensed Gaming Sites for Electronic Games.

On December 1, 2017, the first 16 electronic gaming locations were allowed to operate under PhilWeb's Electronic Gaming System platform. On February 20, 2018, PAGCOR then allowed the Company to offer its services to an additional 21 electronic gaming location.

On March 7, 2018, PAGCOR issued a memorandum accepting and processing applications of new and existing operators to resume the use of the Company's electronic gaming system, thereby allowing the Company to fully resume its operations.

2.1 PAGCOR e-Games cafés

e-Games was licensed by the Philippine Amusement and Gaming Corporation (PAGCOR) in 2003 to launch e-Games Stations, which are Internet cafés exclusively dedicated to casino games. With technology provided by PhilWeb, patrons can choose from more than 300 casino games, including baccarat, blackjack, various slot machine games, video poker and sports betting. Most e-Games cafés operate on a 24/7 basis.

There were 288 operating e-Games cafés across the country, majority of which are owned and operated by independent operators. These e-Games Operators handle day-to-day operations and get a commission based on the casino winnings of the café.

On August 11, 2016, PAGCOR decided not to renew the Intellectual Property License and Management Agreement (IPLMA) with PhilWeb. Following the expiration of the said IPLMA with PAGCOR for the e-Games service, PhilWeb has been unable to provide services to the e-Games operators. During that time, PhilWeb continued to comply with PAGCOR instructions on the release of operator funds as well as player credits in their gaming accounts.

On August 14, 2017, PAGCOR published guidelines for the Accreditation of Electronic Gaming System (EGS) Service Provider. PAGCOR issued its first EGS accreditation to PhilWeb on October 30, 2017. On December 1, 2017, the first 16 electronic gaming locations were allowed to operate under PhilWeb's Electronic Gaming System platform.

On February 20, 2018, PAGCOR then allowed the Company to offer its services to an additional 21 electronic gaming location. On March 7, 2018, PAGCOR issued a memorandum accepting and processing applications of new and existing operators to resume the use of the Company's electronic gaming system, thereby allowing the Company to fully resume its operations.

Operator Partnerships

As of March 31, 2018, 38 locations across the country were operating within the PhilWeb Electronic Gaming System platform.

Content and Services

PhilWeb's Electronic Gaming System platform resumed with the Magic Macau suite of casino games. These games include wide-area progressive slots, video poker, and electronic table games such as Blackjack and Baccarat.

Apart from these, PhilWeb also resumed support services being provided to Operators, such as Accounting and Reporting, jackpot fund management, technical support, marketing and customer service.

Marketing

At the resumption of its Electronic Gaming service, PhilWeb launched a number of marketing initiatives to build awareness of the return of its platform. Operating sites were provided with support collaterals covering regulatory announcements, branded content and promotional activities. PhilWeb also provided financial and logistical support for relaunch activities under the new platform.

PhilWeb also conducted customer experience enhancement activities such as the daily "Power Hour" draw and the weekly "Platinum Customer" draw which rewarded customers for playing and staying loyal to the PhilWeb gaming platform.

2.2 BigGame, Inc.

From 10 operating locations at the start of 2017, BigGame ended Q1 2018 with 25 operating locations across the country. This was achieved partly through the acquisition of 10 electronic gaming sites in different parts of the country, as well as the resumption of gaming services for existing BGI locations that had closed when PhilWeb's IPLMA expired. Following the approval of PhilWeb's accreditation as Electronic Gaming System Service Provider, an initial 15 BigGame locations were converted back to the PhilWeb platform.

BigGame's network of cafés functions as the Company's "R&D laboratory" where new games, strategies and other innovative ideas are first tested. Results, whether positive or negative, are reported to e-Games operators during the quarterly General Assemblies. If a new game or idea delivers positive results and is approved unanimously by the operators, the BigGame café in question becomes the standard by which all other BigGame and e-Games cafés will follow. Because of this rigorous process, BigGame continues to bring in improved gaming configurations and upgrades for the Company's various services and amenities.

Best Gaming Experience

BigGame continues to provide the Best Gaming Experience to its customers. Continuous daily food service has become a mainstay at the BigGame locations since its introduction in 2016.

BigGame will continue its site expansion, renovation and refurbishment activities in 2018. The year ahead will also see more innovations and improvements in player experience. Player acquisition efforts will also be a focus through activation activities in various entertainment establishments. BigGame remains committed to increasing customer service levels, as well as adding site amenities and creating an ambiance that extends the best gaming experience for our target market.

2.3 e-Bingo

In an effort to expand and diversify operation, PhilWeb, thru Easy e-Bingo, Inc. (a wholly-owned subsidiary) acquired two electronic bingo sites located in the National Capital Region. This provides PhilWeb with valuable insights into another segment of the gaming industry.

Further, early this year, the Company signed an agreement with Instant Massive Bingo LLC., a sole registered bingo operator in Saipan, where the Company will provide the technology and support services to the latter's Bingo operation in Saipan.

2.4 Corporate Services

The PhilWeb Finance Department continued to provide its unwavering support to the growth of the business in 2015 through the sound implementation of financial systems, processes and internal control policies that safeguard the Company assets and resources.

During the first quarter of 2016, Finance developed the reporting process and reconciliations of progressive jackpot contributions and actual payouts for slot machine games. This paved the way for PAGCOR to approve the introduction of new games with large progressive payouts, such as Happy Golden Ox, Three Stooges and Rudolf's Revenge. The introduction and implementation of new games was successful not only in creating excitement for our players, but also in delivering additional revenue to all our stakeholders. In October, the highest single jackpot payout was 2.7 million pesos.

Another milestone for the year was the implementation of our closed-loop e-wallet which we branded "e-SAFE". The keys to the implementation of e-SAFE were the internal controls and security measures that we established to ensure that the client's money is safe and secure. Coupled with the introduction of new gaming platforms such as MSW, the e-SAFE will now allow players to place bets to these games using the wallet balance. This will also allow players to receive payouts through their wallets, which they can keep or withdraw any time they want.

Finance continues to ensure that all cash from the nationwide network of e-Games are collected on a timely and accurate manner. Through our company-proprietary POS system and 24/7 operation of our Cash Centers, we are able to monitor cash exposure and thereby enabling us to collect or replenish the cash needs of each site almost immediately. Our arrangements with banks, also allow us to replenish the operator and pay the player of the provincial sites on a real-time basis. The strict implementation of collection policies enables us to manage our cash with very minimal risk to the Company and to the operator.

Finance continuously provides financial reports, reconciliations in a timely manner to management and stakeholders to support key business decisions.

Legal

The Legal Department ensures that the interests of the Company as well as its subsidiaries and affiliates are fully protected. Likewise, it makes certain that the Company observes all laws, rules and regulations relevant to the operation of its business and that it complies with all the reportorial requirements of various government offices and agencies such as, but not limited to, the Securities and Exchange Commission, the Philippine Stock Exchange, the Board of Investments and the Philippine Economic Zone Authority. In the same manner, the Legal Department manages and oversees the Company's dealings with concerned local government units with respect to the issuances of permits and licenses.

The Legal Department is also responsible for the registration of trademarks, patents and copyrights that are aimed to protect the intellectual property rights of the Company. Moreover, it is in-charge of reviewing all the contracts that the Company enters into thereby guaranteeing that the terms of every agreement are beneficial to the interests of the Company. Further, the Legal Department handles all cases brought by or against the Company whether these cases involve civil, criminal or administrative matters. In all, the Legal Department serves as the legal adviser and consultant of the Company, ever vigilant and protective of the Company's rights and interests.

Customer Support

In our continued drive to provide fast and reliable support to all e-Games members, operators and site staff, as well as customers of MegaSportsWorld 365 days a year, 24 hours a day, several changes were introduced in the Customer Support department in 2015. New channels were opened from the traditional hotline and email, to include SMS and chat support through the Viber app. A new Customer Relationship Management system was likewise implemented giving the team and other key customer facing groups a real time, single source of client engagements and interactions. With such improvements in place, over 250,000 transactions

were handled last year across all PhilWeb products and the different channels. Customer Support has maintained a 92% average answer rate for all inbound calls and written customer correspondences (email, SMS and chat) were responded to within 30 minutes. On top of all inbound transactions from various stakeholders, the group has carried out continuous outbound support for other departments: Marketing – for promo related activities; Information Technology – for maintenance advisories; and Finance – for cash collection and replenishment.

In 2016, the group aims to enrich and further improve customer experience by providing more options for individuals to communicate and interact with us, streamline processes to shorten resolution times, and targeted staff training to reinforce the culture of service in every member of the Customer Support team.

2.5 Information Technology

PhilWeb's Information Technology group is composed of four functional departments, namely: Infrastructure, Software Development, Service Delivery and Service Support. Each department's functions are aligned with PhilWeb's operational requirements as well as its corporate needs.

The Infrastructure Department's primary role is to provide all the components – hardware, software, network resources, facilities and services – needed to deliver IT services for PhilWeb's casino and corporate operations. The team is also responsible for the monitoring and maintenance of these components to ensure that operations are supported 24/7.

The Software Development Department is in charge of creating and implementing software vital to PhilWeb's casino operations. As of this writing, a number of home grown applications are in production which will allow PhilWeb to provide a better gaming experience to its customers through the management of their membership credentials, e-wallet and loyalty points. Internally, the group has also developed tools to provide the operational teams such as Customer Support, Finance Operations, and Casino Operations with the information they need for their day-to-day activities.

The Service Delivery Department is responsible for the implementation and management of quality IT services. Guided by industry best practices, the group manages delivery of services through the disciplines of Project Management and Service Management. In line to its vision to ensure quality, the team also has a Quality Assurance unit which conducts testing on home grown software prior to customer endorsement in order to ensure that business requirements are met.

The Service Support Department is charged with providing first level technical support and ensuring that IT services are available 24/7 to both internal and external customers of the Company. There are two groups under this department: a) the Technical Support team, which monitors and performs first level troubleshooting on services pertaining to PhilWeb's corporate & casino infrastructure and B) Field Support, which is tasked to provide first level troubleshooting for e-Games sites. Tickets reported by site personnel and operators are first escalated to this team for validation and resolution.

Highlights

Account-based play was further enhanced this year through the introduction of the e-wallet feature. Players can leave balances on their accounts and play in any e-Games site without having to carry their cash around. IT has provided improvements in the home grown systems to ensure full and seamless integration with these new features. In line with this update, IT has also deployed the new version of the casino game client to all e-games venues across the country.

Information Security

In June 2015, PhilWeb transformed the Security and Compliance Group into the Information Security Group. The Group provides guidance on securing and protecting the privacy of information, and ensures that the institution maintains appropriate operational controls, standards, processes and Information security policies. The Information Security Group reports directly to the Office of the President.

After the establishment of the Information Security Group, IT network security was transferred from The Information Technology Group to Information Security in order to provide a better alignment and direction with regards to PhilWeb Security. The IT Network Security team focuses on PhilWeb's perimeter security, on the design and implementation of security appliances, and on ensuring a secured gaming environment.

Information Security Engineering was also established to provide application security, endpoint security and access control management for PhilWeb Corporation.

The Information Security Group is composed of two teams, namely the Information Security Engineering Team and IT Network Security.

Goals and Objectives

PhilWeb Corporate, Employee, Customer, and Trading Partner information and the applications, systems, and networks that support this information, are protected from unauthorized access, modification, disclosure, and usage. This is achieved through a combination of services, solutions, awareness training, and processes that enable the business to grow and thrive, while risks and exposures are managed.

Information Security plays a vital role in:

- Securing PhilWeb's Information to avoid potential data loss
- Providing immediate resolution, recommendation and mitigation of any Information Security incidents.
- Implementing Information Security policies, best practices and standards in alignment with the ISO 27001 & ISO27002 framework.
- Identifying and managing IT-related risks and increased requirements for control over information.

Highlights

Network security was reinforced in 2015 through the combined efforts of the Information Security Group as well as the InfoSec Engineering Team.

Access Review and recertification process for PhilWeb's critical systems was established to ensure that privilege accounts are reviewed and approved by the system and application owners.

The Group also established Information Security Policies for PhilWeb which are aligned and in accordance with the ISO27001 and ISO27002 version 2013 standards.

Furthermore, the implementation of network security policies for PhilWeb's version 15 casino environment, as well as the establishment of Security Standards for game terminals and POS were completed in 2015.

2.6 Human Resources and Administration

Organization Structure

PhilWeb's Human Resources and Administration Departments were re-structured in January of 2016 and became one division, Human Resources and Administration. Merging the two departments was effective and cost efficient maximizing the combined competencies of the former 2 departments that gave more solid support for the Company.

The Human Resources Department (HR)

Recruitment & Selection

Due to the non-renewal of PhilWeb's IPLMA with PAGCOR in August 2016, Recruitment has been on hold until June 2017. Since then, Recruitment and Selection in PhilWeb continued to follow stringent procedures to ensure that we are hiring only qualified and competent workforce.

New Hires Orientation covering the Company's Vision, Mission and Core Values, Culture and History of PhilWeb, the Organization Chart, Product Training, Policies and Procedures and Code of Conduct as well as explanation on their Employment Contract - comprise the outline of the Induction Program and is given prior to turnover to the requesting department. Technical orientation is handled by the respective department.

In 2017, a total of 10 employees were hired and were assigned to different departments. To continuously achieve economy and efficiency in our operations as well as to prevent losses, 23 people were separated in October 2017. As of March 31, 2018, the Company has 170 employees, all ready for re-start once e-Games resumes operation.

Compensation and Benefits

The HR Department ensured timely delivery of compensation and benefits to the workforce and their professional and personal growth were charted through based Performance Evaluation/Appraisal. Corresponding rewards and compensation are fairly given, including those who have been separated from the company due to the non-renewal of the IPLMA with PAGCOR.

The Year 2017 marked the 17th year of PhilWeb in the business. During the Company's anniversary, employees were recognized for their dedicated service and loyalty rendered to PhilWeb. Twenty (20) employees celebrated their 5th year of service, three (3) employees for their 10th, and one (1) for their 15th year in PhilWeb.

Workplace Learning & Development

2017 was a year for on-the-ground training for all employees. To prepare everyone for the e-Games restart, each employee was assigned to a BigGame site, for several months, to observe, help out, and make a study on how to improve the site operations and grow the business. Executives also took part as mentors.

Employee Engagement

In addition to workplace learning and development interventions as tool for workforce retention and engagement, regular general assemblies and other means of communication are undertaken to get the workforce pulse as regards the company's business developments.

Corporate Social Responsibility (CSR)

PhilWeb reaffirms its commitment and responsibility to its stakeholders through sound and efficient fiscal management of its business from top to departmental level. While this is foremost in our minds, the responsibility to our constituents and community and the environment we work in cannot be undermined.

Despite the non-renewal of PhilWeb's IPLMA with PAGOOCR, PhilWeb continues to share our resources and propagates its advocacy to bring computer literacy and education to the less privileged of our society even to the farthest and remote areas. Consistent with the government's endeavor of inclusive growth, the donation does not only end in the delivery of the hardware but comes with related trainings and applications on the use of computers and applications.

In 2017, PhilWeb donated 65 desktop computers to 5 schools and organizations nationwide, namely:

1. Philippine Jesuit Prison Service
2. Bureau of Corrections-Medium Security Compound
3. Ateneo De Zamboanga University
4. Church of the Evangel
5. Xavier School Educational & Trust Fund, Inc.

Logistics and planning were spearheaded by the Administration Department.

The Administration Department

The Administration Department played a big role in 2017 as PhilWeb relocated its business office from Alphaland Southgate Tower to Adamson Centre in Leviste, Makati in June 2017. The Administration Department was responsible from the planning, to the execution until the smooth transfer of employees and equipment. The Department also ensured the smooth reopening of the satellite office in One San Miguel Avenue Building in Pasig.

The Administration Team continued to place great effort in cost-effective measures to support the company's goal to achieve economy and efficiency in its operations without sacrificing the quality of support they render to PhilWeb.

The Administration Team continued to do their share in the timely delivery of their services, ensured that needs of the company were met and repairs and preventive maintenance on the equipment were planned and executed with the least downtime to the Company.

The Human Resources and Administration Division will continue to be a strategic partner of the different business units of PhilWeb and will continue to contribute to innovation for excellence in all our endeavors.

RESULTS OF OPERATION

	For the First Quarter Ended March 31, 2018	For the First Quarter Ended March 31, 2017
Income Statement		
Revenues	87,752,502	26,061,147
Costs and Expenses	121,727,398	113,307,020
Other Income (Expense) - Net	(2,385,702)	300,045
Income Tax Expense (Benefit)	(7,173,792)	(14,132,234)
Net Income (Loss) After Tax	(29,186,806)	(72,813,594)
Retained Earnings at Beginning of Period	1,563,374,351	1,856,644,010
Retained Earnings at End of Period	1,534,507,061	1,784,327,232
Balance Sheet		
Current Assets	115,248,116	240,556,622
Total Assets	373,014,013	548,917,266
Total Liabilities	327,978,199	374,649,291
Total Equity	45,035,814	174,267,975

Total revenues increased by P61.7 million or 236.7%, to P87.8 million for the three months ended March 31, 2018 from P26.1 million registered the same period last year, mainly due to the approval of PAGCOR to re-start the offering of PhilWeb's Electronic Gaming System (EGS) to operators, thereby allowing the Company to fully resume its operations. As of March 31, 2018, there are 38 locations operating under PhilWeb EGS.

Cost and expenses increased by P8.4 million or 7.4% as a result of the resumption of the Company's operations.

Overall, the Company's Net Loss decreased by P43.6 million or 59.9% from P72.8 million to P29.2 million while Losses Before Interest, Taxes, Depreciation and Amortization decreased by P45.4 million or 91.1% from P49.9 million to P4.4 million as of first quarter of 2017.

The Company's key performance indicators for the three months ended March 31, 2018 and 2017 are the following:

Financial Ratios	March 31, 2018	March 31, 2017
Net Income Margin (Net Income / Net Revenues)	-33.3%	-279.4%
Operating Income Margin (Operating Income / Net Revenue)	-38.7%	-334.8%
Current Ratio (Current Assets/Current Liabilities)	0.38:1.00	0.71:1.00
Asset to Equity Ratio (Total Assets / Total Equity)	8.28:1.00	3.15:1.00
Debt to Equity Ratio (Total Liabilities / Total Equity)	7.28:1.00	2.15:1.00
Return on Total Assets (Net Income / Total Assets)	-7.8%	-13.3%
Return on Total Equity (Net Income / Total Equity)	-64.8%	-41.8%
Interest Rate Coverage Ratio (EBIT / Interest Expense)	-10.6:1.00	-124.9:1.00

Performance for the Period January 1, 2018 to March 31, 2018
(Comparison of Balance Sheets as of March 31, 2018 and December 31, 2017)

Cash and Cash Equivalents

The cash and cash equivalents decreased by P48.3 million or 75.8% versus last year. The Company used P26.3 million cash to maintain operations and pay off aging liabilities and paid loan of P21.2 million.

Receivables (net)

The receivables slightly increased by P1.0 million or 4.0% versus last year mainly due to increase in trade receivables as a result of the restart of operation.

Prepayments and Other Current Assets

Prepayments and other current assets slightly increased by P1.4 million or 5.0% versus last year mainly due to increase in input VAT under current assets.

Property and Equipment

The decreased in property and equipment of P24.5 million or 20.5% represents the total acquisitions of P0.6 million less depreciation of P25.1 million.

Deferred Tax Assets

Deferred tax assets increased by P7.2 million or 10.0% mainly due to recognition of income taxes recoverable in future periods arising from Net Operating Losses.

Other Noncurrent Assets

Other noncurrent assets decreased by P2.0 million or 3.0% mainly due to impairment of input VAT under non-current assets.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses decreased by P18.2 million or 9.8% mainly due to payment of aging payables.

Notes payable

Notes payable decreased by P21.3 million or 17.9% due to payments of loan.

Retirement Benefits Liability

The increased in retirement benefits liability of P1.1 million or 13.7% represents additional provision for employees' retirement benefits.

Operators' deposit

The increased of operators' deposit of P2.3 million or 15.3% represents the cash received from operators upon opening/conversion of electronic gaming location that serves as a bond/security in case the operators defaults from payments.

Capital stock

There is no movement in capital stock during the year.

Additional paid in capital

There is no movement in additional paid in capital during the year.

Retained earnings

The decreased in retained earnings of P28.9 million or 1.9% was attributable to the net loss during the period.

Treasury stock

There is no movement in treasury stock during the year.

Quantitative and Qualitative Disclosures on Financial Instruments

The Company's principal financial instruments consist of cash and cash equivalents, receivables, due from related parties and accounts payable and accrued expenses.

The main risks arising from the Company's financial instruments are liquidity risk, credit risk and market risk. The policies for managing each of these risks are provided below:

- a. Credit Risk is limited to the risk arising from inability of a debtor to make payments when receivables are due. The Company's internet gaming business is made on cash basis and internet gaming operators are covered by required security deposits. Other receivables arise from one of transactions and are due and demandable on a short-term basis. Due to this reasons, the Company has no significant exposures to credit risk as of March 31, 2018.

The carrying amount of receivables represents the Company's maximum exposure to credit risks in relation to financial assets.

- b. Liquidity risk is the risk that the Company will be unable to meet its obligations as they fall due. To effectively manage liquidity risk, the Company monitors its cash flows and ensures that credit facilities are available to meet its obligation when they fall due.
- c. Market risks is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Fair values

The fair values of the Company's financial instrument approximate their carrying amounts as of balance sheet date either because of their relatively short-term nature or the interest rates they carry approximate interest rates for comparable instruments in the market.

Key Performance Indicators of Subsidiaries for the three months ended March 31, 2018.

BGI is a wholly owned subsidiary that started commercial operations in July 2005. BGI's total revenue for the three months ended March 31, 2018 was at P41.7 million, 59.8% higher as compared to 2017 total revenue of P26.1 million of the same period.

Part II - Other Information

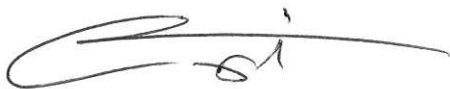
There are no disclosures not reported under SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHILWEB CORPORATION

Registrant



ZALDY M. PRIETO

SVP and Chief Finance Officer



DENNIS O. VALDES

President

April 19, 2018

Quarterly Report - January 1, 2018 - March 31, 2018

PHILWEB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31 2018 (Unaudited)	December 31 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	63,713,963	112,005,505
Accounts receivable - net	23,629,624	22,678,968
Prepaid expenses and other current assets	27,904,529	26,518,120
Total Current Assets	115,248,116	161,202,593
Noncurrent Assets		
Property and equipment - net	119,416,958	143,867,379
Deferred tax assets	71,555,400	64,381,608
Other assets	66,793,539	68,805,582
Total Noncurrent Assets	257,765,897	277,054,569
	373,014,013	438,257,162
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	185,896,939	204,137,096
Notes payable	118,750,000	140,000,000
Total Current Liabilities	304,646,939	344,137,096
Noncurrent Liabilities		
Retirement benefits liability	8,276,260	7,142,446
Operators' deposits	15,055,000	12,755,000
Total Noncurrent Liabilities	23,331,260	19,897,446
	327,978,199	364,034,542
Equity		
Capital stock	1,498,348,441	1,498,348,441
Additional paid-in capital	1,013,836,920	1,013,836,920
Stock options reserve	1,182,328	1,182,328
Retained earnings	1,534,507,061	1,563,374,351
Actuarial loss on pension obligation	6,682,141	6,682,141
Treasury stock	(4,007,338,966)	(4,007,338,966)
	47,217,925	76,085,215
Non-controlling interest	(2,182,111)	(1,862,595)
Total Equity	45,035,814	74,222,620
	373,014,013	438,257,162

PHILWEB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	March 31 2018 (Unaudited)	March 31 2017 (Unaudited)
NET SERVICE REVENUES		
Internet application service income	43,471,690	-
Commission income	44,280,812	26,061,147
	87,752,502	26,061,147
OPERATING EXPENSES		
General and administrative expenses	96,622,033	83,941,650
Depreciation and amortization	25,105,365	29,365,370
	121,727,398	113,307,020
OPERATING LOSS	(33,974,896)	(87,245,873)
OTHER INCOME (CHARGES)		
Interest income	135,322	273,680
Interest expense	(2,531,889)	(580,417)
Miscellaneous - net	10,865	606,782
	(2,385,702)	300,045
LOSS BEFORE INCOME TAX	(36,360,598)	(86,945,828)
Income tax benefits	(7,173,792)	(14,132,234)
NET LOSS / TOTAL COMPREHENSIVE LOSS	(29,186,806)	(72,813,594)
NET LOSS ATTRIBUTABLE TO:		
Equity holders of the parent	(28,867,290)	(72,316,778)
Minority interest	(319,516)	(496,816)
	(29,186,806)	(72,813,594)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:		
Equity holders of the parent	(28,867,290)	(72,316,778)
Minority interest	(319,516)	(496,816)
	(29,186,806)	(72,813,594)
EARNINGS PER SHARE:		
Basic	(0.0245)	(0.0622)
Diluted	(0.0245)	(0.0621)
LOSSES BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION		
	(4,440,339)	(49,889,080)

PHILWEB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	March 31 2018 (Unaudited)	March 31 2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES	(36,360,598)	(86,945,828)
Loss before income tax		
Adjustments for:		
Depreciation and amortization	25,105,365	29,365,370
Impairment losses	4,418,327	7,384,641
Retirement benefits cost	1,133,814	1,667,916
Interest income	(135,322)	(273,680)
Interest expense	2,531,889	580,417
Operating loss before working capital changes	(3,306,525)	(48,221,164)
Decrease (increase) in:		
Receivables	(950,656)	(14,784,443)
Prepaid expenses and other current assets	(1,386,409)	(4,142,931)
Increase in accounts payable and accrued expenses	(18,240,157)	(7,886,357)
Cash used in operations	(23,883,747)	(75,034,895)
Interest received	135,322	273,680
Interest paid	(2,531,889)	(580,417)
Net cash used in operating activities	(26,280,314)	(75,341,632)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(654,944)	(2,052,245)
Proceeds from disposals of assets	-	139,653,819
Decrease in other assets	(2,406,284)	1,519,600
Net cash provided by (used in) investing activities	(3,061,228)	139,121,174
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loans	(21,250,000)	(15,000,000)
Proceeds from subscriptions to and issuances of shares	-	(288,750)
Increase (decrease) in operators' deposits	2,300,000	(6,600,000)
Issuance of treasury shares	-	1,471,250
Net cash used in financing activities	(18,950,000)	(20,417,500)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(48,291,542)	43,362,042
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	112,005,505	98,088,993
CASH AND CASH EQUIVALENTS AT END OF PERIOD	63,713,963	141,451,035

PHILWEB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	March 31			
	2018 (Unaudited)		2017 (Unaudited)	
	Number of Shares	Amount	Number of Shares	Amount
CAPITAL STOCK				
Authorized				
Common shares - P1 par value	2,600,000,000	-	2,600,000,000	-
Issued and outstanding				
Common shares	1,472,128,745	1,472,128,745	1,353,453,745	1,353,453,745
Subscribed shares	44,878,780	26,219,696	163,378,780	129,719,696
	1,517,007,525	1,498,348,441	1,516,832,525	1,483,173,441
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		1,013,836,920		1,112,897,280
Additions (deduction) during the period		-		(288,750)
Balance at end of period		1,013,836,920		1,112,608,530
STOCK OPTIONS RESERVE				
Balance at end of period		1,182,328		4,273,021
RETAINED EARNINGS				
Balance at beginning of year		1,563,374,351		1,856,644,010
Net loss for the period		(28,867,290)		(72,316,778)
Balance at end of period		1,534,507,061		1,784,327,232
ACTUARIAL LOSS ON PENSION OBLIGATION				
Balance at end of period		6,682,141		756,155
TREASURY STOCK, At cost				
Balance at beginning of year	(341,116,418)	(4,007,338,966)	(354,621,621)	(4,211,137,736)
Issuance during the year	-	-	137,500	1,471,250
Balance at end of period	(341,116,418)	(4,007,338,966)	(354,484,121)	(4,209,666,486)
NON-CONTROLLING INTEREST				
Balance at beginning of year		(1,862,595)		(707,102)
Net loss		(319,516)		(496,816)
Balance at end of period		(2,182,111)		(1,203,918)
		45,035,814		174,267,975

PHILWEB CORPORATION AND SUBSIDIARIES

A Schedule Showing Financial Soundness Indicators in Two Comparative Period as Follows:

	January - March 2018 (Unaudited)	January - March 2017 (Unaudited)
Current assets (ca)	115,248,116	240,556,622
Total assets (ta)	373,014,013	548,917,266
Current liabilities (cl)	304,646,939	336,752,805
Total liabilities (tl)	327,978,199	374,649,291
Total equity (te)	45,035,814	174,267,975
Net income (ni)	(29,186,806)	(72,813,594)
EBIT	(26,790,239)	(72,506,857)
Interest income	135,322	273,680
interest expense (ie)	(2,531,889)	(580,417)
Interest - net	(2,396,567)	(306,737)
	January - March 2018 (Unaudited)	January - March 2017 (Unaudited)
Ratios		
current ratio (ca/cl)	0.38	0.71
debt to equity (tl/te)	7.28	2.15
debt to asset (tl/ta)	0.88	0.68
asset to equity (ta/te)	8.28	3.15
ROA (NI/TA)	-7.8%	-13.3%
ROE (NI/TE)	-64.8%	-41.8%
%coverage ratio (EBIT/ie)	(10.6)	(124.92)
Book value (te/outstanding shares)	0.04	0.12
Net Income Margin (Net Income / Net Revenues)	-33.3%	-279.4%
Operating Income Margin (Operating Income / Net Revenue)	-38.7%	-334.8%

PHILWEB CORPORATION AND SUBSIDIARIES
AGING OF RECEIVABLES SCHEDULE
AS OF MARCH 31, 2018

<u>Accounts</u>	<u>TOTAL</u>	<u>Past Due</u>		
		<u>1-30 Days</u>	<u>31-60 Days</u>	<u>More than 60 Days</u>
Various Trade and Non-Trade Receivables	22,460,454	7,362,015	1,404,687	13,693,752
Advances to Employees	1,169,170	371,825	227,591	569,754
Total	23,629,624	7,733,840	1,632,278	14,263,506